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BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF PACIFICORP DBA ROCKY MOUNTAIN POWER'S APPLICATION TO APPROVE ELECTRIC SERVICE SCHEDULE NO. 38, QUALIFYING FACILITY AVOIDED COST PROCEDURES.	)	**CASE NO. PAC-E-16-01** **COMMENTS OF THE COMMISSION STAFF**

COMES NOW the Staff of the Idaho Public Utilities Commission, by and through its Attorney of record, Daphne Huang, Deputy Attorney General, and submits the following comments.

BACKGROUND

In Case No. GNR-E-11-03, the Commission directed parties to participate in workshops to "begin to form a structure for fair and reasonable . . . procedures and rules" for contracting under the Public Utility Regulatory Policies Act (PURPA). Order No. 32697 at 48. In response, Avista, Idaho Power, and PacifiCorp participated in such workshops and discussed contracting procedures. However, the utilities did not agree upon or finalize a universal set of contracting procedures. Therefore, each utility decided to file its own tariff with the Commission to specify its individual PURPA contracting procedures. Subsequently, Avista and Idaho Power filed Schedule 62 and Schedule 73, respectively, which were both approved by the Commission.

In February 2015, PacifiCorp dba Rocky Mountain Power Company (Company or Rocky Mountain) petitioned the Commission for approval to modify its "indicative" or "incremental" pricing practice in its Integrated Resource Plan Avoided Cost methodology.[1] Application at 2; Order No. 33357 at 26. The Commission found it appropriate for Rocky Mountain to create "a queue to track the order in which [qualifying facility (QF)] projects have entered negotiations with a utility, so that incremental pricing can be calculated to reflect the actual impacts of each project." Order No. 3357 at 28. Accordingly, the Commission directed Rocky Mountain "to file a tariff schedule . . . which outlines its PURPA negotiating process," similar to Avista's and Idaho Power's respective Schedules 62 and 73. *Id.* The Commission provided that Rocky Mountain's schedule "should include specific criteria for management of the queue to eliminate uncertainty and to facilitate negotiations between Rocky Mountain and [QFs]." *Id.*

THE APPLICATION

Pursuant to the Commission's directive, Rocky Mountain filed its Application in this case, for authority to implement Electric Service Schedule No. 38 – Qualified Facility Avoided Cost Procedures. Rocky Mountain's proposed Schedule 38 in this case is closely based on the Company's Utah Schedule 38 approved by the Utah Public Service Commission in 2015, which addressed similar issues to those being addressed in this case in Idaho. If approved, Schedule No. 38 will govern the Company's negotiating practices and queue management related to power purchase agreements (PPAs) executed under PURPA. Rocky Mountain requested an effective date by April 1, 2016. Application at 1.

Rocky Mountain states that the purpose of proposed Schedule No. 38 is "to efficiently provide the steps and schedule for both the Company and developers that will govern the determination of indicative avoided cost pricing for a proposed QF project." Application at 2. "Schedule 38 lists the information required by the Company to prepare indicative prices for a proposed QF project, includes a timeline and actions to be followed by [PURPA] developers to receive a PPA as well as the consequences for failure to comply with the tariff." *Id.*

[1] Rocky Mountain also requested approval to modify terms and conditions related to PURPA contracts. *See* Application, Case No. PAC-E-15-03.

STAFF ANALYSIS

Staff summarized the major milestones specified in Avista's and Idaho Power's tariff Schedules 62 and 73 – which are almost identical to each other – in Table 1, attached hereto. In Table 2, also attached, Staff summarized the major milestones specified in Rocky Mountain's Proposed Schedule 38. Staff has identified several areas in which Schedule 38 significantly differs from Avista's Schedule 62 and Idaho Power's Schedule 73.

1. Timeline of milestones

Although the major milestones adopted by Rocky Mountain Power are similar to those used by Avista and Idaho Power, the time allowed in each step is different to varying degrees. For example, Avista and Idaho Power allow a QF to prepare initial comments on and proposed edits to a draft power purchase agreement within 90 calendar days of receipt of a draft agreement, whereas Rocky Mountain Power only allows 30 days for QF review of a draft agreement. Table 2 lists the main steps in the proposed Schedule 38. Overall, Staff believes the timeline in the proposed Schedule 38 is reasonable and feasible, but Staff suggests Rocky Mountain Power clarify whether "days" in the proposed tariff refers to calendar days or business days.

2. Addition of details regarding queue management

Unlike the other two approved schedules, the proposed Schedule 38 has added detailed descriptions about how Rocky Mountain Power manages its pricing queue in terms of queue entry, price recalculation, and removal from queue. Staff believes the added language about queue management is useful and necessary to mitigate further confusion and reduce potential conflict that may arise in the queue management process.

3. Addition of other PPA terms

Rocky Mountain Power further added three other terms to its proposed Schedule 38 that are not addressed in either Idaho Power's or Avista's contracting process.

a. <u>The scheduled commercial operation date must not be greater than thirty (30) months after the execution date of the power purchase agreement</u>. This requirement is intended to prevent indicative prices from becoming outdated before the project comes online. Staff believes 30 months is a reasonable period, because 95% of the existing QF contracts in Idaho have agreed to online dates within thirty months of contract execution.

b. The QF developer must sign a System Impact Study Agreement with PacifiCorp Transmission within 120 days of the date of a final, non-appealable Commission order approving the agreement. The intent of this requirement is to ensure the transmission process is coordinated with the QF contracting process so that any necessary transmission upgrades can be completed before the project's proposed online date. Staff believes this language is important to minimize the possibility that transmission delays will lead to contract default.

c. The QF developer must provide 100% of the project development security within 30 days of the date a Commission order approving the PPA has become final and non-appealable. Project development security normally consists of delay security in an amount equal to $45 multiplied by the maximum generation capacity of the facility (for example, $45 x 10,000 kW = $450,000 for a 10 MW project). Staff believes the purpose of this requirement is to provide assurance that the project is seriously and diligently pursued, and to provide funds to cover damages to the utility and its ratepayers in the event of default or unreasonable delays. Staff acknowledges that this requirement could prove challenging for some projects who have yet to obtain project financing, but nevertheless believes it will be effective in eliminating speculative contracts, ensuring progress towards construction, and protecting ratepayers.

As discussed above, Rocky Mountain Power's proposed Schedule 38 clearly differs in several material ways from comparable tariffs of Idaho Power and Avista. However, Staff does not believe that those differences are necessarily any indication that the contracting procedures of any one utility are any better or worse than those of the other utilities. In fact, as mentioned earlier, an attempt was initially made in Case No. GNR-E-11-03 to develop a single set of QF contracting procedures that could be adopted by all three utilities. That attempt was not fruitful. Consequently, it should come as no surprise that each utility's contracting-procedures tariff is different. In the time since workshops were held to try to develop a single tariff for all three utilities, Rocky Mountain Power has experienced far more PURPA development activity in its Utah jurisdiction than either Idaho Power or Avista. Despite being the last of the three utilities to file a QF contracting-procedures tariff in Idaho, Rocky Mountain has applied its Schedule 38 in Utah for some time. Therefore, it has had more experience in testing the effectiveness of the contracting procedure. Nonetheless, if the Commission agrees to approve Schedule 38, Staff intends to monitor whether the tariff is successful in improving the QF contracting process and will seek changes if problems are encountered or if improvements can be made.

RECOMMENDATION

Staff believes that Rocky Mountain Power's Application to implement Schedule 38 is reasonable and necessary to ensure a clear, standard QF contracting procedure. Staff recommends approval, but suggests the Company clarify whether "days" in the proposed tariff refers to calendar days or business days.

Respectfully submitted this 12th day of February 2016.

Daphne Huang
Deputy Attorney General

Technical Staff: Rick Sterling
Yao Yin

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Table 1. Major Milestones in Avista's Schedule 62 and Idaho Power's Schedule 73

QF	Avista & Idaho Power
The QF shall provide the utility with a completed application.	
	The utility shall within 10 business days notify the QF in writing of any deficiencies.
	Following satisfactory receipt of all information, the utility shall within 20 business days provide an indicative pricing proposal.
The QF requests in writing that utility prepare a draft ESA to serve as the basis for negotiations between the parties. The QF provides the utility with any additional information that the utility reasonably determines necessary for the preparation of a draft ESA.	
	If the utility determines that the QF has not provided sufficient information, the utility shall within 10 business days notify the QF in writing of any deficiency.
	Following satisfactory receipt of all information, the utility shall within 15 business days provide the QF with a draft ESA.
Within 90 calendar days, the QF shall (1) notify the utility in writing that it accepts the terms and conditions of the draft ESA, or (2) prepare initial comments and proposals based on the draft.	
The QF shall contact the utility to schedule ESA negotiations at such times and places as are mutually agreeable to the parties.	
	The utility shall update pricing at appropriate intervals to accommodate any changes to the utility's avoided cost calculations, the proposed qualifying facility or prosed terms of the draft ESA.
	When both parties are in full agreement, the utility shall prepare and forward to the QF within 10 business days a final executable version of the ESA.
The QF shall within 10 business days execute and return the final ESA.	
	The utility will within 10 days execute the ESA and submit it to the Commission for review.

Table 2. Major Milestones in Rocky Mountain Power's Proposed Schedule 38

QF	Rocky Mountain Power
The QF requests the Pro Forma contract.	
	The utility shall provide a pro forma purchase agreement within 7 days.
The QF may request indicative pricing at any time.	
	The utility must notify the QF whether request for indicative pricing is complete within 7 days of submission.
	The utility must provide indicative pricing within 30 days of notice of completeness.
The QF must request draft power purchase agreement and submit required information within 60 days of receipt of indicative pricing.	
	The utility must notify the QF whether request for power purchase agreement and required information is complete within 7 days.
	The utility must provide the QF with draft power purchase agreement within 30 days of notice of completeness.
The QF must provide the utility with initial comments on and proposed edits to draft power purchase agreement within 30 days of receipt.	
	The utility must respond to the QF's initial comments and edits within 30 days of receipt and commence negotiations over areas of disagreement.
	The utility must complete all internal reviews and approvals within 21 days after agreement is reached on a proposed final version of a power purchase agreement.
PPA must be executed within 5 months by both parties within 5 months after the draft PPA was provided by the utility to the QF, except to the extent delays are caused by utility's actions or inactions.	
	The utility must submit power purchase agreement to the Commission for approval within 7 days of execution.
	The utility must submit Transmission Service Request within 7 days after execution of purchase power agreement.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY THAT I HAVE THIS 12TH DAY OF FEBRUARY 2016, SERVED THE FOREGOING **COMMENTS OF THE COMMISSION STAFF,** IN CASE NO. PAC-E-16-01, BY MAILING A COPY THEREOF, POSTAGE PREPAID, TO THE FOLLOWING:

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